

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric
Company To Revise Its Electric Marginal
Costs, Revenue Allocations, and Rate Design.
(U 39 E)

Application 16-06-013
(Filed June 30, 2016)

RESPONSE OF MARIN CLEAN ENERGY

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I. INTRODUCTION

In accordance with Rule 2.6 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Marin Clean Energy (“MCE”), submits the following Response to the APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) TO REVISE ITS ELECTRIC MARGINAL COSTS, REVENUE ALLOCATIONS, AND RATE DESIGN, dated June 30, 2016 (“Application”). Though this Application was presented to the Commission on June 30th it was not formally noticed until July 15th. As such this Response is timely filed within the standard 30-day period beginning from when the Application was first noticed which ends on August 15th. Though MCE supports some elements proposed within the Application, MCE has serious concerns regarding other elements of the Application where Pacific Gas and Electric Company (“PG&E”) proposes several significant rate design changes what would impact many customers served by Community Choice Aggregators (“CCAs”) within PG&E’s service territory. Moreover many of these rate design proposals appear to run counter to the Commission’s and the State’s efforts to reduce greenhouse gas (“GHG”) emissions. PG&E, like MCE, should encourage rather than oppose ratepayers’ efforts to reduce their GHG emissions footprints.

II. BACKGROUND

MCE is the first operational CCA within California. Currently MCE is one of three operational CCAs within PG&E's service territory, the other two being Sonoma Clean Power Authority ("SCPA") and Clean Power San Francisco ("CPSF"). MCE currently provides electricity generation services to approximately 170,000 customer accounts within seventeen distinct communities.¹ MCE is underway with enrolling seven additional communities which will add approximately 80,000 more customer accounts bringing the total number of customer accounts served by MCE Clean Energy to upwards of 250,000.² Customers within these additional communities will begin receiving MCE's electricity service in September. MCE's customers receive generation services from MCE while continuing to receive transmission, distribution, billing and other services from PG&E. Because of this split in electricity service provisions, CCA customers are commonly referred to as "unbundled" electricity customers.

Though a CCA's governing board has jurisdictional ratesetting authority for the CCA program, when the Commission authorizes an Investor-Owned Utility ("IOU") such as PG&E to alter key components of its rate structures, such as (i) definitions of summer and winter seasons, (ii) definitions of Time-Of-Use ("TOU") periods, and (iii) aspects of both fixed and volumetric components of specific rate schedules, common practice among CCAs is to alter their own rates to mirror the changes being implemented on the IOU's side. Such mirroring of IOU rate structures by CCAs is primarily done to minimize risks for customer confusion that may result in

¹ Communities currently participating in MCE's CCA include: the City of Belvedere, City of Benicia, Town of Corte Madera, City of El Cerrito, Town of Fairfax, City of Larkspur, City of Mill Valley, County of Marin, County of Napa, City of Novato, City of Richmond, Town of Ross, Town of San Anselmo, City of San Pablo, City of San Rafael, City of Sausalito, Town of Tiburon.

² MCE is currently going through the steps of enrolling the incorporated cities and towns within Napa County along with the Cities of Lafayette and Walnut Creek, both of which are located in Contra Costa County.

individual customers opting-out of CCA service. As such, many aspects of the Application relating to rate design are of material interest to MCE.

Additionally marginal cost and revenue allocation elements of PG&E's Application are also of concern to MCE. As part of the Phase 2 process for PG&E's General Rate Case ("GRC"), Revenue Cycle Service Fees are assessed for unbundled customers that continue to require certain services from PG&E, such as billing systems services. For CCAs these "Service Fees" provide a very material impact on the operational margins for CCA service because some of these fees are assessed on a per customer per month basis. In this Application, PG&E is proposing to significantly reduce these "Service Fees" for CCA customers. MCE is supportive of this section of PG&E's proposal though more time is still required for further discovery and analysis prior to MCE being able to take a formal position on this matter.

III. MATTERS OF SUPPORT

A. CCA Service Fees (*PG&E-02 – Appendix C*)

As stated prior, a key area of interest for MCE within Phase 2 of PG&E's GRC is the assessment of the "Service Fees" that are assigned to unbundled customers participating in CCA programs. Appendix C of PG&E's Testimony PG&E-2 titled "Revenue Cycle Service Fees" details PG&E's proposal for the adjustments to these fees during the instant GRC cycle. Based upon its initial review, MCE believes PG&E is proposing to significantly reduce these service fees due to significant growth in the number of ratepayers participating in CCA since the last GRC cycle. MCE is pleased to see PG&E's proposal to lower these fees; nevertheless, MCE still reserves the right for further discovery and analysis to determine whether the costs that drive these fees are being properly assigned to CCA customers in the first place. MCE plans to explore

this area further, yet remains hopeful that it can formally support these service fee revisions as presented by PG&E.

IV. MATTERS OF CONCERN

A. Residential Rate Design (*PG&E-01 – Chapter 4*)

Though much of the significant changes to residential rate design are already occurring within Rulemaking 12-06-013, PG&E is seeking additional changes to its residential rate schedules through this Application as well. Among other changes sought, PG&E proposes (i) the creation of an optional demand charge based residential rate (“E-DMD”) and (ii) a significant redesign of its Electric Vehicle (“EV”) rate design. MCE has concerns with both.

1. *New Optional Demand Charge E-DMD Rate Design*

First off PG&E’s proposal to create a residential rate that involves demand charges is concerning because residential customers typically lack the knowledge and expertise to understand their risk exposure when participating in such complex rate schedules. With that said, MCE commends PG&E’s desire to create a new optional rate “to incent the installation of battery storage technology to allow solar electricity to be stored when it is plentiful and used when it is not.” MCE has also been exploring ways to encourage residential level onsite energy storage through rates and understands the complexity of the matter. Nevertheless MCE remains concerned with this rate proposal because it remains unclear as to whether unbundled CCA customers would be able to participate in such a rate. MCE plans to explore the matter of CCA customer participation within the E-DMD rate schedule further during the course of this proceeding.

1. *Electric Vehicle (EV) Rate Design*

Similar to changes that are occurring in other residential rate schedules, PG&E is proposing to merge its existing EV rate schedules into a single new schedule that includes significant changes to the TOU seasonality, TOU periods, and rates applicable to electricity

usage under this schedule. By shortening the summer period AND shifting the partial-peak and off-peak hours AND reducing peak rates while increasing partial-peak and off-peak rates, PG&E's proposal will make the EV rate significantly less appealing for EV owners and significantly more challenging to utilize in a low-cost manner.

EV electricity usage is influenced not only by price signals within rates but also by the scheduling constraints of the EV owners' daily routines. When the pricing signals and the usage schedules overlap well, this provides an incentive for EV charging, but when these two factors do not coincide they create a disincentive instead. For example by pushing the start of off-peak period on the EV rates back to 1 AM, as PG&E proposes, EV owners would typically have anywhere from 5 to 7 hours of opportunity to charge their vehicle at off-peak rates before having to leave home and start their daily commute. While 5 to 7 hours of charging time may sound like a lot, a typical EV with approximately 80-90 miles of maximum range³ can take approximately 20 hours to fully charge depending upon factors such as (i) the onsite charging capabilities (i.e. level 1 vs. level 2), (ii) the overall size of the battery pack, (iii) the level of discharge in the battery pack when the charging starts, and (iv) the ambient temperature in which the car is charging.

Simply put PG&E's requested changes to the residential EV rate schedule must be weighed against the practicality of the rate schedule for the end user. If the two do not overlap well, this EV rate would discourage EV adoption and usage rather than encourage it. MCE believes that PG&E, the Commission, and the State of California should all be operating in lock-step to continue encouraging the adoption and usage of EVs for climate, health, and local economic reasons. Failure to do so would be a reversal in policy direction and a significant step

³ Such as a Chevrolet Spark EV or Nissan Leaf.

back from solving Climate Change. As such MCE questions the reasonableness of PG&E's proposed changes to its residential EV rate schedule and recommends for PG&E to focus its efforts towards creating a new optional commercial EV rate schedule that would incentivize daytime workplace EV charging.

B. Small Light and Power Rate Design (*PG&E-01 – Chapter 5*)

PG&E is proposing significant changes to its non-residential rate schedules as well. One such change is its proposal to reduce the summer peak rate for the A-6 rate schedule from \$0.55/kWh to \$0.29/kWh while increasing partial-peak and off-peak rates by only \$0.01/kWh. A 47% reduction to the peak rate component of a TOU rate that is heavily depended upon for the viability of non-residential distributed solar electricity generation is very concerning to MCE. This proposed rate change, similar to PG&E's EV rate proposal, would create a strong signal against ratepayers attempts to lower their GHG emissions through the adoption of GHG-free distributed energy resources. MCE remains very concerned with this proposed change to the A-6 rate and MCE's concern is made only stronger when considering this rate change alongside the other non-residential TOU rate changes that PG&E proposes later within the Application.

C. Economic Development Rates (*PG&E-01 – Chapter 11*)

PG&E is also proposing to extend its offering of both "Standard and Enhanced" Economic Development Rate ("EDR") tariffs to December 31, 2020. MCE was not supportive of the last EDR tariff extension and revision request made by PG&E within Application 12-03-001, and MCE remains oppositional to the EDR tariff. MCE does not believe there is adequate evidence presented by PG&E for both *why* the EDR tariff continues to be needed and *what* economic benefit can be clearly and directly attributed to the existence of the EDR tariff. What is certain about the EDR tariff is that it creates a subsidy between ratepayers. MCE questions whether the subsidy created by the EDR tariff is both reasonable and necessary given the

significant changes in the State's economic conditions and policy objectives since this matter was last considered before the Commission. MCE is not supportive of extending the EDR tariff.

D. Optimal Non-Residential TOU Period Analysis (*PG&E-02 – Chapter 12*)

Finally, and likely *most* concerning, PG&E proposes to drastically change the TOU seasons, TOU periods, and week day vs. weekend applicability of TOU factors for ALL non-residential TOU rate schedules. While TOU rates are gradually being adjusted on the Residential side by the Commission, such transitions are already proving to be very challenging for the Commission and IOUs to implement over the multi-year glide path established for adopting these changes. PG&E's proposal to change the non-residential rate schedules in a similar manner but over a much quicker timeframe will only further strain the Commission and PG&E's resources while creating further risk for customer confusion. Such customer confusion creates increased risk for customers to opt-out of CCA service due to frustration with changing rates and billing amounts. As such MCE is not supportive of these proposed changes to non-residential TOU rate periods.

Furthermore, such dramatic changes to non-residential TOU rates will further discourage localized efforts to reduce GHG emissions through the adoption and usage of GHG-free distributed energy resources. For example rooftop solar installed on non-residential facilities will suddenly have a much longer payback period because 1) the summer season will be two months shorter, 2) the peak periods will have shifted from "noon to 6 PM" to "5 PM to 10 PM," and 3) if they happen to be on the A-6 rate schedule their peak rate will be decreased by 47% as discussed in an earlier section. Such changes will undoubtedly impact local efforts by schools, municipal governments, and businesses to lower their GHG footprint through generating onsite GHG-free electricity. Here too the Commission must weigh and balance PG&E's rate proposals against the State's goals to reduce GHG emissions and address Climate Change. As such MCE does not

support PG&E's proposal to significantly alter the TOU factors for all of its non-residential rate schedules.

V. RULE 2.6(D) COMPLIANCE

A. Proposed Category

The instant proceeding is appropriately categorized at "ratesetting."

B. Need for Hearing

Due to the complex nature of the marginal cost, revenue allocation, and rate design matters presented by PG&E within this Application and the additional complexity of evaluating the factual impacts of these proposals on CCAs and CCA customers, MCE believes evidentiary hearings will be necessary. The factual record will need to be explored in detail to determine the accuracy and reasonableness of PG&E's numerous proposals.

C. Issues to Be Considered

If the Commission continues to consider PG&E's proposal as currently presented, then the Commission should closely evaluate and weigh the appropriateness of these numerous requested changes against State mandate to reduce statewide GHG emissions and facilitate the formation and operational success of CCA programs.

D. Proposed Schedule

No revisions to the proposed schedule are presented at this time.

VI. SERVICE LIST

Filings and other communications to this proceeding should be served on the following individuals:

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VII. CONCLUSION

MCE thanks Commissioner Carla Peterman and Assigned Administrative Law Judge Jeanne McKinney for their thoughtful consideration of this response and the issues detailed herein.

Respectfully submitted,

/s/ Jeremy Waen

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